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C O N F I D E N T I A L SECTION 01 OF 03 CARACAS 000341

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SUBJECT: LABOR DISPUTES INCREASING IN THE BRV

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[1](#)1. (C) SUMMARY: A series of labor disputes involving Japanese-owned Bridgestone Firestone (BF), Mexican-owned FEMSA Coca-Cola, predominantly Argentinean-owned Terrium Sidor, and the Venezuelan state-run electricity sector have broken out since January. Many of these labor conflicts are the results of divisions within Chavismo and between pro-Chavista and independent unions. These disputes are causing work disruptions, diminished production, and are contributing to a deteriorating investment climate in Venezuela. In addition Embassy contacts believe there is a growing potential for labor disputes in the petroleum sector. Taken together with high inflation and rolling shortages of basic commodities, these issues highlight the serious problems within the BRV's management of Venezuela's domestic economy. End Summary.

Strikes, Shutdowns and Demonstrations

[1](#)2. (SBU) Japanese-owned Bridgestone Firestone: Workers at Bridgestone Firestone in Valencia went on a four-day strike February 19 before shifting to a work slow-down. Workers at the tire manufacturing plant are ostensibly seeking to negotiate a new package of benefits, including vacation, retirement benefits, and overtime regulations. According to a prominent labor analyst, the strike was actually the result of a split in the pro-government National Union of Workers (UNT) at the plant. The government is allegedly supporting a break-away faction to undermine the existing UNT faction at the plant loyal to Orlando Chirino. Chirino leads one of several factions of the UNT, but the government is trying to undermine him after he openly opposed Chavez' proposed changes to the 1999 Constitution.

[1](#)3. (SBU) Mexican-owned FEMSA Coca-Cola: FEMSA Coca-Cola is experiencing a prolonged struggle with former workers who are demanding USD 520 million in severance pay. FEMSA Coca-Cola maintains that the former workers, mostly delivery personnel, were not retained when FEMSA bought out the previous Coca-Cola bottler in Venezuela, but instead were hired as private contractors. These former workers recently shut down one bottling center completely and blocked operations at 13 distribution centers. Radical Chavista Iris Varela helped

organize and lead the former workers.

¶4. (SBU) Terrium Sidor Steel: Workers engaged in three short strikes at the Sidor steelworks in recent weeks in an effort to secure salary increases. Sidor workers also burned six buses on the streets of Ciudad Bolivar on March 4. According to a prominent labor union contact, eleven union factions (8 pro-government; 3 pro-opposition) are vying for leadership within the plant. These factions have reportedly been making ever escalating, unrealistic wage demands to attract union members. Some of the factions are also urging the BRV to expropriate the company. The workers are also divided between those who were granted stock options during the privatization process several years ago and newer employees who do not have stock options. The former, who earn more money from their stock dividends than their salaries, are predictably less militant. Sidor took out a full-page newspaper advertisement on February 19 to underscore that they had extended an offer to the workers to raise their salary 58 percent.

¶5. (SBU) Electricity Sector: The electricity sector represented by the Electric Workers Federation of Venezuela (FETRAELEC) has also seen a number of temporary strikes and demonstrations in various parts of Venezuela designed to raise awareness of the progressive deterioration of the industry as a whole. FETRAELEC announced March 6 that it will launch a national strike sometime during the work day the week of March 10. FETRAELEC President Angel Naves told the local media that "actions of higher profile" are needed to direct attention to the operation of the electrical plants. The state-run electricity sector provides the majority of the electricity in Venezuela. In addition to worker infrastructure concerns, there is dissatisfaction with current medical benefits.

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Labor Unrest in Petroleum Sector?

¶6. (C) Embassy contacts tell us that there is also growing potential for labor unrest in the petroleum sector. A labor contact told us that petroleum contracting firms have not yet paid retroactive compensation to their workers owed to them from a collective bargaining agreement concluded late in ¶2007. The contracting firms are reportedly telling their workers they do not have the funds to pay mainly because state-oil company PDVSA is as much as six months behind in payments to them. There have also been labor related issues regarding collective contracts after PDVSA took controlling interests in the former Strategic Associations (Ref B).

Government Intervention

¶7. (SBU) Although the BRV has been generally adverse to tri-partite negotiations, it has provided mediators for the labor disputes at Bridgestone Firestone, FEMSA Coca-Cola and Sidor. Hector Bentancourt of the BRV ministry of Production told the local media February 28 that a one-month negotiation process would commence March 3. At the same time several National Assembly (NA) members and Vice Minister of Labor Rafael Chacon have openly sided with the workers in the negotiations with FEMSA and Sidor. Local newspapers quote NA members pushing for the BRV to expropriate FEMSA plants and "produce Venezuelan soft drinks instead", if the workers' demands are not met. The BRV subsequently dispatched the more pragmatic NA deputy Francisco Torrealba to help mediate. Current workers at FEMSA Coca-Cola, including members of pro-Chavez unions, were instrumental in breaking up the work stoppages by former workers at FEMSA facilities.

¶8. (C) Labor Minister Jose Ramon Rivero tried unsuccessfully to mediate at Sidor. A high level mediation commission that includes the Chavista Governor of Bolivar State and some

pro-Chavez NA deputies is continuing to try to mediate. Sidor and the workers, however, are reportedly still far apart on the terms of a potential wage increase. The BRV could exploit the labor dispute to justify an expropriation, but labor analysts believe the BRV will not do so to avoid alienating the Argentine government. Electricity labor representatives will have the opportunity to speak to the National Assembly Commission of Economic Development and Mines on March 13.

Economic Impact

¶9. (SBU) Continuing labor disputes have affected thousands of employees. Bridgestone Firestone workers have reduced production from 10,000 tires per day to 3,000 tires per day indefinitely in order to pressure the company to accept their demands. The tire company controls 40 percent of the Venezuelan market share in tires and supplies many companies, including U.S.-owned car companies GM and Ford. A FEMSA Coca-Cola executive told us recently that the firm could boost production and employment by 20 to 30 percent to meet rising demand in Venezuela. However, the firm would need to set up two additional production lines and is not prepared to do so in the current investment climate.

¶10. (C) Sidor representatives told the local media that the steelmaker is experiencing USD seven million losses per day and that the 350 medium-size businesses that service the steel industry are losing USD three million per day. In terms of the electricity, the current unrest comes at a time when the demand for energy has grown between five and seven percent since 2003. FETRAELEC recently warned that the government is not doing enough to expand or maintain the system's capacity.

Comment

¶11. (C) President Chavez helped create the National Union of Workers (UNT) trade union confederation in an only partially successful effort to counterbalance the influence of the opposition-oriented Confederation of Venezuelan Workers (CVT). Competition between the numerous factions of the UNT, however, is contributing to the growing number of significant labor disputes in Venezuela as union leaders try to outperform one another to secure real, traditional

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salary-and-benefit gains for their members. UNT leaders are also reportedly unhappy with Chavez' intention, announced last year, to set up "Workers Councils" within his new United Socialist Party of Venezuela (PSUV).

¶12. (C) Labor disputes, by themselves, do not pose much of a threat to the BRV. No more than 11 percent of Venezuelan employees are covered by collective bargaining agreements, and Chavez even weathered a national strike in 2002-2003. Nevertheless, taken together with shortages of basic commodities and high inflation, the losses and in some cases shortages which these labor problems have occasioned serve to aggravate even further the domestic economic environment.

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